

Message Text

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ACTION EA-12

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 CIAE-00 COME-00
DODE-00 DOTE-00 EB-08 FMC-01 INR-10 NSAE-00 CG-00
DLOS-09 OES-09 STRE-00 PM-05 H-01 L-03 NSC-05
PA-01 SP-02 SS-15 ICA-11 AID-05 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02
/164 W

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R 270609Z JUL 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9915
INFO AMEMBASSY BANGKOK
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
USMISSION GENEVA
AMCONSUL HONG KONG
AMEMBASSY JAKARTA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY STOCKHOLM
AMEMBASSY TAIPEI
AMEMBASSY WELLINGTON

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USEEC
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DEPARTMENT ALSO PASS STR, MARAD, AND LABOR ELECTRONICALLY

E.O. 11652: N/A

TAGS: EWWT, ELAB, EEC, MTN, OECD, JA

SUBJECT: MINISTRY OF TRANSPORT PLAN FOR RESTRUCTURING SHIP-
BUILDING INDUSTRY

SUMMARY: (UNCLASSIFIED) THE MINISTRY OF TRANSPORT (MOT) HAS DECIDED TO IMPLEMENT MANY OF THE RECOMMENDATIONS CONTAINED IN A REPORT RELEASED JULY 14 BY THE JAPAN SHIPBUILDING COUNCIL WHICH CALLED FOR REDUCING JAPAN'S OCEANGOING SHIPBUILDING CAPACITY 35 PCT BY AUGUST 1979, THROUGH RESTRUCTURING, MERGERS, REEMPLOYMENT PROGRAMS, AND DISMANTLING SHIPBUILDING FACILITIES. PROGRAM IS FIRST MAJOR INDUSTRIAL RESTRUCTURING TO ACCOMMODATE LOSS OF COMPETITIVENESS IN WORLD MARKETS BROUGHT ABOUT BY THE APPRECIATION OF THE YEN AND NEW FOREIGN COMPETITION. AS SUCH, IT IS POLITICALLY AND SOCIALLY SENSITIVE. END SUMMARY.

1. MOT HAS DECIDED TO IMPLEMENT MANY OF THE SUGGESTION CONTAINED IN A JULY 14 REPORT SUBMITTED BY THE SHIPPING AND SHIPBUILDING RATIONALIZATION COUNCIL TO TRANSPORT MINISTER FUKUNAGA WHICH CALLED FOR A 35 PCT REDUCTION IN JAPAN'S OCEANGOING SHIPBUILDING CAPACITY. THE MOT INTENDS TO CARRY OUT THE REDUCTION WITHIN A YEAR BEGINNING IN AUGUST.

2. ACCORDING TO THE REPORT, JAPAN'S SHIPBUILDING CAPACITY FOR OCEANGOING SHIPS OF OVER 5000 GROSS TONS IS DIVIDED AMONG 61 FIRMS WITH 136 SHIPBUILDING FACILITIES. ESTIMATED ANNUAL CAPACITY IS 9.8 MILLION COMPENSATED GROSS REGISTERED TONS (CGRT). THE COUNCIL PROPOSES REDUCING CAPACITY TO LIMITED OFFICIAL USE

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6.4 MILLION CGRT ACCORDING TO A FORMULA WORKED OUT WITH INDUSTRY PARTICIPATION: EACH OF THE 7 MAJOR FIRMS WITH AN ANNUAL BUILDING CAPACITY OF OVER ONE MILLION CGRT WILL BE REQUIRED TO REDUCE THEIR CAPACITY BY 40 PCT; 17 FIRMS WITH AN ANNUAL CAPACITY OF BETWEEN 100,000 AND ONE MILLION CGRT MUST REDUCE BY 30 PCT; 16 FIRMS WITH CAPACITY RATED BETWEEN 10,000 CGRT AND 100,000 CGRT MUST REDUCE BY 27 PCT; AND THE REMAINING 21 "SMALL" FIRMS WITH CAPACITY FOR BUILDING SHIPS IN THE 5,000 TO 10,000 CGRT RANGE WILL BE ASKED TO REDUCE CAPACITY BY 15 PCT.

3. NEED FOR THE RECOMMENDED CUTS IN CAPACITY WERE ATTRIBUTED TO THE GROWING SURPLUS OF WORLD SHIPPING TONNAGE; STRONG COMPETITION FROM DEVELOPING COUNTRIES SUCH AS KOREA, TAIWAN, SINGAPORE, BRAZIL AND YUGOSLAVIA; AND THE APPRECIATION OF THE YEN. THE COUNCIL URGED ALL EXCEPT THE TOP 7 FIRMS TO STRENGTHEN THEIR FINANCIAL POSITIONS AND IMPROVE THEIR INTERNATIONAL COMPETITIVENESS BY ESTABLISHING BUSINESS TIES WITH OTHER FIRMS, MERGING, OR DIVERSIFYING BUSINESS ACTIVITIES TO COMPENSATE FOR THEIR WEAK FINANCIAL, TECHNICAL, AND COMPETITIVE POSITIONS. THE RECOMMENDED CUTS ARE DESIGNED TO BRING JAPAN'S SHIPBUILDING CAPACITY IN LINE WITH

PROJECTED DEMAND FOR 1985. HOWEVER, IF THE YEN CONTINUES TO APPRECIATE, THE COUNCIL BELIEVES THAT FURTHER ADJUSTMENTS IN CAPACITY WILL BE REQUIRED.

4. TO FACILITATE THE RECOMMENDED CUTS IN CAPACITY, THE COUNCIL PROPOSED GOVERNMENT ACTION BE TAKEN TO EASE THE IMPACT ON MEDIUM AND SMALL SHIPBUILDERS. THE REPORT SUGGESTED THAT IN ADDITION TO PROVIDING FINANCIAL AID UNDER THE DEPRESSED INDUSTRIES LAW, OTHER FINANCIAL AIDS, INCLUDING TAX RELIEF, SHOULD BE MADE AVAILABLE. TO CREATE DEMAND THE REPORT RECOMMENDED SHIP SCRAPPING, A GOVERNMENT SHIP

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REPLACEMENT PROGRAM, LNG SHIP CONSTRUCTION, SHIP CONSTRUCTION FOR EXPORT UNDER GOVERNMENT AID PROGRAMS,,5- 5-,(34 CONVERSION PROGRAM TO CONTROL OCEAN POLLUTION, AND EXPANSION OF PROJECTS FOR THE EMERGENCY STORAGE OF OIL IN ANCHORED TANKER SHIPS. GOVERNMENT FINANCIAL AID FOR BUSILIMITED OFFICIAL USE

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NESES THAT WOULD LIKE TO DIVERSIFY, AND TO PREVENT CHAIN BANKRUPTCIES WERE ALSO RECOMMENDED, AS WAS A PROGRAM TO PROVIDE RELIEF FOR THE UNEMPLOYED.

5. COMMENT: (BEGIN LIMITED OFFICIAL USE) THE JAPANESE SHIPBUILDING INDUSTRY, WHICH ONCE HELD HALF OF THE WORLD'S SHIPBUILDING MARKET, HAS NO ALTERNATIVE BUT TO FOLLOW THE COUNCIL'S RECOMMENDATIONS. OTHERWISE MANY SHIPBUILDERS WOULD BE FORCED INTO BANKRUPTCY. MOT HAS ANNOUNCED THAT IT WILL IMPLEMENT THE COUNCIL'S PROPOSALS AND ESTABLISH THE PROGRAMS NECESSARY. THE SHIPBUILDING INDUSTRY HAS BEEN HIT HARD BY THE APPRECIATION OF THE YEN. NEW ORDERS HAVE VIRTUALLY DISAPPEARED AND THE INDUSTRY IS CURRENTLY OPERATING AT LESS THAN 50 PCT OF CAPACITY. THE SOCIAL AND ECONOMIC PRESSURES ASSOCIATED WITH THE RESTRUCTURING OF THE INDUSTRY MAKES THE SUBJECT SENSITIVE BUT THE COSTS ARE UNAVOIDABLE. MANSFIELD

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Message Attributes

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Decaption Date: 01 jan 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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TAGS: EWWT, ELAB, JA, EEC, MTN, OECD
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